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November 13, 2006

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Comments on Proposed Agency Information Collection Activities

Dear Madame Secretary:

JPMorgan Chase & Co. ("JPMC") thanks you for the opportunity to comment on the proposal of the Board of Governors of the Federal Reserve System (the "Board") to revise the following Reports: Report of Changes in Organizational Structure (FR Y-10); Supplement to the Reports of Changes in Organizational Structure (FR Y-10E); Annual Report of Bank Holding Companies (FR Y-6); and the Notification of Foreign Branch Status (FR 2058). As a general comment, JPMC is supportive of streamlining the reporting requirements by consolidating the several forms into a new single FRY-10 report. JPMC believes that this consolidated approach to the various reporting requirements will allow JPMC and other bank holding companies ("BHC") to meet their reporting requirements in a more efficient manner. JPMC looks forward to utilizing the online reporting system for the filing of reports for which the online system had not previously been available. JPMC requests that the Board take into consideration the following comments concerning the proposed reporting forms and instructions.

I. Proposed Changes to the New Reporting Forms

A. Domestic Branch Schedule

As part of the new Form FRY-10, the Board proposes to add a schedule to ask for data on domestic branches and offices of depository institutions held directly or indirectly and domestic branches of Edge and agreement corporations. JPMC submits that, as proposed, the FR Y-10 Domestic Branch Schedule would substantially increase regulatory burden by imposing new and duplicative reporting requirements upon depository institutions.

Federal banking regulations already require three communications by an insured financial institution with federal regulators with respect to branches. First, as noted in the proposal, insured financial institutions ("financial institutions") are required to report annually nearly identical information to the Federal Deposit Insurance Corporation ("FDIC") on the FDIC's Summary of Deposits ("SOD") Report (OMB No. 3064-0061). Second, financial institutions must apply to and receive the approval of the appropriate federal banking agency to establish a branch. Third, financial institutions are required by the FDIC Act to give notice to the appropriate federal banking agency of any proposed branch closing. See 12 U.S.C. § 1831r-1.

Given the existing federal reporting requirements, the Board's proposed new requirement would only result in a new burdensome and duplicative reporting requirement for BHCs regarding the opening or closing of a branch. JPMC believes that since the requested information already exists through the databases of other federal agencies, the Board should work with the other federal agencies to utilize existing information and not require BHCs to provide the same information in another new form.

JPMC also suggests that the Board coordinate with the other agencies to develop a centralized and standardized database to collect the domestic branch information for use by all of the federal banking regulatory agencies. This approach would mitigate the burden of BHC from having to provide duplicative information to the various agencies in different forms. This centralized database could provide for an automated feed provided by the BHCs to the database that would be updated regularly.

B. Ownership Section of the FRY-10

While the Board has sought to clarify the rules concerning the reporting of a direct holder's ownership percentage interest by more clearly indicating how to report the ownership of limited liability companies, partnerships, limited partnerships, etc., this clarification results in a change from how JPMC currently reports its interests in these companies. The New York Federal Reserve Bank has advised JPMC to report its interests in these companies (including corporations, limited liability companies, partnerships, limited partnerships, etc.) all in the same manner. Therefore, JPMC has reported all forms of companies based on its percentage ownership of the outstanding securities of a class, without regard to whether the company was a corporation or other form of legal entity, such as a limited liability company, limited partnership, etc. JPMC is concerned that the clarified approach set forth by the Board in the proposed FRY-10 instructions will result in JPMC having to file hundreds of FRY-10 reports to address all of its non-corporation type companies that have been reported in a manner not consistent with the Board's proposed rules, but consistent with the instructions given to JPMC by the New York Federal Reserve Bank. This clarification to the reporting instructions and the resulting burden of filing corrective reports would be substantial to JPMC unless the Board specifically grants relief from a requirement to file corrective reports.

In addition, JPMC notes that the current rules focus on the "voting shares" of a company, and that this ownership percentage reporting requirement would be applicable only to corporations, and,

therefore, all other forms of legal entities (i.e. limited liability companies, limited partnerships, etc.) would be categorized as "other interest" under the proposed instructions for the FRY-10 report. Given that a great majority of BHCs, including JPMC, are regularly and increasingly utilizing forms of legal entities other than corporations, including limited liability companies, limited partnerships, etc., it would be more appropriate for the Board to focus on the term "voting securities" as opposed to "voting shares". "Voting securities" applies more broadly to "all" forms of legal entities, including corporations, limited liability companies, partnerships, limited partnerships, etc. If the Board is truly interested in understanding a BHC's ownership in the entities in which the BHC is reporting an interest, then this broader term would provide for the classification of all forms of legal entities in the percentage of ownership classification.

The Board has expanded its inquiry on ownership percentage to include identifying entities as 100% owned, but this new 100% owned designation will be provided for corporations only, unless the Board extends ownership percentage reporting to legal entities other than corporations.. The Board noted that the reason for implementing a new 100% ownership box on the FRY-10 was that it was interested in knowing which entities were wholly owned because such ownership threshold has implications on the supervisory process. It seems logical that the Board would like this type of information in its supervisory process for all types of companies, not just corporations. Accordingly, the Board is requested to reevaluate this clarification and consider focusing on the term "voting securities" as opposed to "voting shares" to address the ownership of a company.

II. Issues with Existing Reports

A. Definition of Control

The proposed new FRY-6 and FRY-10 reports do not include a Glossary with the definitions of the terms to be used in preparing the reporting forms. The decision of the Board not to include the Glossary with the defined terms impairs the ability of commentators to analyze the effect of the definitions on the reporting requirements. Although the proposed instructions refer to the use of the Regulation Y definition of "control" and JPMC has been advised by the staff of the Board that it should rely on the use of the existing definitions in the current reporting instructions, JPMC is concerned that these definitions will be revised in the future by the Board. JPMC submits that the Board should have provided the Glossary and definitions of defined terms used in the reports with the published proposed reporting forms and instructions to allow for a proper analysis of the reporting forms; and requests that if the Board decides to make substantive changes to the Glossary and definitions therein, that such changes be subject to a comment period as well, in keeping with the spirit of the Administrative Procedures Act.

In particular, JPMC has concerns with the definition of "control" and how to apply it while preparing an analysis of companies that are reportable on both the FRY-6 and FRY-10 reports. While the proposed reporting form instructions of the FRY-10 refer to the use of the Regulation Y definition of "control", it can be difficult to apply this definition with respect to certain relationships. For example, complications arise if an entity has issued more than one class of voting securities. The proposed instructions provide some clarification as how to apply the standard where there is more than one class of securities, the footnote in the instructions states that the class with the highest

amount of voting securities held should be used in the analysis. However, problems arise when there are changes in ownership among the classes.

Further, the definition of control is difficult to apply when it is not readily apparent whether an interest is voting or nonvoting. To satisfy the Board's reporting requirement on the FR Y-11 which requires a statement on whether the BHC has filed all required FR Y-10s, it is imperative that the requirements on whether a Y-10 is required in a given case be clear and not subject to guesswork.

B. Public Welfare Investments

In addition, JPMC would like to reiterate the issues that it raised in its letter dated August 3, 2006 to the Federal Reserve Bank of New York relating to the reportability of interests of BHCs in certain public welfare investments (a redacted copy of which is attached hereto as Exhibit A). In that letter, JPMC asked that the Board request public comment on an exemption from the reporting requirements for public welfare investments that would be similar to the exemptions currently provided for debts previously contracted, interests held as collateral and special purpose vehicles. In summary, JPMC submitted the following factors for the Board to consider in assessing whether public welfare investments should be exempted:

1. Other investments with which a bank holding company would have a similar ownership or control relationship are already exempted from reporting, e.g. special purpose vehicles for specific leasing transactions, companies held by Small Business Investment Companies, interests held as collateral, and most merchant banking and insurance company investments.
2. Public welfare investments are, in fact, passive investments, regardless of the Regulation Y definition of control.
3. A bank holding company's lack of genuine control over the investment makes it difficult to obtain the information necessary for reporting and to assure that changes to the information are reported in a timely and accurate manner.
4. The legal structures of these investments do not lend themselves to a ready determination of the "percentage of a class of voting securities" owned or controlled that is determinative of whether any given investment is reportable and that is one of the data elements required on the report.
5. The large number of these investments compounds the difficulty in determining accurate reportable information on any one of them, resulting in a reporting burden of undue proportion relative to any supervisory benefit gained.

For the reasons discussed above, JPMC again asks the Board to consider approving a reporting exemption for these types of investments or in the alternative consider implementing a less burdensome requirement. For example, the reporting of public welfare investments could be limited

to the same extent that the reporting of merchant banking or insurance company investments is limited (*i.e.*, only if the reporter holds more than 5% of the voting shares of the entity acquired and the cost to the BHC exceeds $200 million or 5% of the BHC's tier 1 capital, whichever is less).

B. Estimate of Burden

Additionally, JPMC would like to make a general comment that it typically finds that the Board's estimate of time required to prepare the various forms (i.e. a FRY-10) and the number of reports filed in a year by a BHC is geometrically understated as it applies to a large bank holding company. This may be a result of the complicated legal structure of JPMC, but through discussions with our New York Clearing House colleagues JPMC believes that it is not alone in this regard. While JPMC does not have exact figures available, its staff estimates that it files hundreds of FRY-10 reports in any given year and the preparation time for filing a report exceeds the one hour estimate of the Board.

C. 4(k) Schedule

Although the Board is not proposing any changes concerning the existing 4(k) Schedule, JPMC would like to take this opportunity to comment on this schedule. In its experience in filing FRY-10 reports, JPMC finds this schedule to be an unnecessary and duplicative restatement of information that is already contained in the Non-Banking Schedule of the FRY-10 report as it pertains to the Post-Transaction Notice Section of the schedule. Although this schedule is required when a BHC reports a new entity utilizing FRS Legal Authority Codes 311 or 312 on a Non-Banking Schedule, it is nothing more than a restatement of the information that is already contained on the Non-Banking Schedule. JPMC requests that the Board review the current purpose and use of the Post-Transaction Notice Section of the schedule and consider eliminating such part of the schedule.

III. Processing Issues

A. FRY-10 Online System

While JPMC appreciates the movement of the Board to utilizing online resources to prepare and submit the required reporting forms, JPMC has found various problems and issues with the current FRY-10 Online system. While JPMC has been advised through discussions that the Board is aware of the need for improvement of the FRY-10 Online system, JPMC would like to raise several concerns. While the submittal of reports on the FRY-10 system provides a date certain of the receipt of a submitted report, JPMC understand that the reports are manually re-entered into the system on a flow basis. JPMC's recommendation would be that the system be revamped to provide that reports electronically submitted be posted immediately in real-time on the FRY-10 Online system, without the need for the Board staff to process the reports manually. The Securities and Exchange Commission's electronic system known as EDGAR would be a comparable system of how a federal reporting system accepts reports online in real time. The Board staff would still need to review the reports on a flow basis, but this would aid in providing the most updated information regarding the organization/tier report of BHCs and provide for the electronic population of reports, as entities

would be added into the database almost immediately and any changes to such entity could be done through the question format of preparing the FRY-10 reports, as opposed to the blank schedule format which could lead to inconsistencies and discrepancies in names of companies, etc..

JPMC would also like to suggest a change to the process for filing corrected reports. Currently, when correcting a report, all pages of the initial report are resubmitted. JPMC suggests that the system be redesigned to provide that a corrected report should only generate the single schedule or schedules that are actually being corrected. It is very confusing and wasteful to have the entire report reproduced and re-submitted. This also creates issues where a certain schedule of a multi-page page report is corrected at one time, and there is a need to correct a different schedule at a later date. The system should provide that multiple corrections can be made to the same report at different times. In addition, similar to the way that a corrected report is submitted, the system should be redesigned to provide a check the box format for withdrawing a report or a schedule in a report. Currently, the way to withdraw a report online is not clear in the instructions and is being done in a format that has been agreed to with the New York Federal Reserve team, but it is very confusing and difficult to implement. Our agreed practice has been to correct the report and type withdraw after the name of the company.

Additionally, when submitting FRY-10 reports through the event type generation format, it is suggested that a comments or the "Other" box be automatically available to insert comments on the particular schedule on which the BHC is reporting the event. This option is not currently available unless the reporter selects a blank schedule when on which to prepare the report. Providing comments on the relevant schedule would be a useful tool for both BHCs and for the Board staff to explain and understand what is being reported on the FRY-10.

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JPMC appreciates this opportunity to provide comments on the proposed new reporting forms, and would be pleased to discuss any of the issues raised in this letter in more detail. Should you have any questions, please do not hesitate to contact me.

Very truly yours,

/s/ Anthony J. Horan

Exhibit A

Redacted Letter of sent to the New York Federal Reserve Bank

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August 3, 2006

Ms. Violet Cumberbatch, Staff Director for Statistics
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

RE: FR Y-10 and FR Y-6 Reporting Status of Public Welfare Investments

Dear Ms. Cumberbatch:

This letter addresses the matter of reporting on the FR Y-6 and FR Y-10 investments made under the public welfare rules of the Office of the Comptroller of the Currency ("OCC") and the Board of Governors of the Federal Reserve System ("FRB"). [____] Public welfare investments include, for example, investments in low-income housing tax credits, new markets tax credits, equity funds that meet the definition of community development investment, and direct equity investments in community development projects. In the below discussion of the issues, public welfare investments are distinguished from the subsidiaries through which JPMorgan Chase & Co. ("JPMC") makes its investments for public welfare purposes; these subsidiaries have been reported on the FR Y-10 (or predecessor FR Y-6A) and FR Y-6.

Under the current instructions for the FR Y-10 ("Instructions"), it appears that a bank holding company would be required to report a public welfare investment as a nonbanking interest if the holding company has control over the public welfare investment as defined in the Instructions. The current form of both the FR Y-6 and the FR Y-10 are scheduled to expire March 31, 2007. In connection with the adoption of a new form of FR Y-6 and FR Y-10 to be used thereafter, JPMC anticipates that it will be asking the FRB to amend the reporting instructions for the FR Y-6 and FR Y-10 to exempt from such reporting public welfare investments and request public comment on this issue.

In brief, JPMC submits that an exemption from reporting public welfare investments is warranted because:

6. Other investments with which a bank holding company would have a similar ownership or control relationship are already exempted from reporting, e.g. special purpose vehicles for specific leasing transactions, companies held by Small Business Investment Companies, interests held as collateral, and most merchant banking and insurance company investments.
7. Public welfare investments are, in fact, passive investments, regardless of the Regulation Y definition of control.
8. A bank holding company's lack of genuine control over the investment makes it difficult to obtain the information necessary for reporting and to assure that changes to the information are reported in a timely and accurate manner.
9. The legal structures of these investments do not lend themselves to a ready determination of the "percentage of a class of voting securities" owned or controlled that is determinative of whether any given investment is reportable and that is one of the data elements required on the report.
10. The large number of these investments compounds the difficulty in determining accurate reportable information on any one of them, resulting in a reporting burden of undue proportion relative to any supervisory benefit gained.

Further, this letter identifies an additional potential reporting burden that may result if the public welfare investments are regarded as nonbank subsidiaries under Regulation Y, that being the requirement to file "Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Companies" (FR Y-11/ FR Y-11S).

[_____] JPMC notes that the criteria for control to determine 23A affiliate status are not identical to the criteria for determining control for FR Y-10 reporting. JPMC submits that it is less problematic to apply the Regulation W definition of control to these investments than the definition of control contained in the Instructions, as the Regulation W definition can be applied via a straight numerical test (percentage of total equity), whereas the control test contained in the Instructions requires an analysis of whether the ownership interest involves voting securities or not. This discrepancy between the Regulation W and FR Y-10 definitions of control makes it necessary for the reporting bank holding company to arrive at a second, and potentially different, conclusion on whether the holding company has a control relationship for reporting purposes than the determination for 23A and 23B purposes, which compounds the difficulty of obtaining and analyzing the facts relevant to each determination.

Background

JPMC invests in public welfare investments through various subsidiaries. The legal form of these investments is most typically that of a limited partnership or limited liability company ***(together, "Partnerships")***. None of these investments in which JPMC holds the limited partner or non-managing member interest is consolidated for financial reporting purposes. Because some of these Partnerships are investment funds that hold interests in numerous other Partnerships, JPMC currently holds direct and indirect interests in [_____] of Partnerships. JPMC's ownership interest would be in

the nature of a limited partnership interest or a non-managing membership interest as a non-managing member of a limited liability company where an unaffiliated general partner or managing member manages the Partnership. JPMC will not be involved in the management decisions relating to the entity and does not in fact have managerial control as that concept is commonly understood. As it is essential to have an understanding of the structure of the various types of public welfare investments to appreciate JPMC's relationship to the entities in which it is invested, please see Appendix A: Types of Public Welfare Investments.

Prior Communication with the FRB on Reporting

In response to a 2003 FRB request for comments on revisions to the FR Y-10,[1] Bank One Corporation submitted a comment requesting that all Section 42 Partnerships be exempted from FR Y-10 reporting. (A Section 42 Partnership is a limited partnership or limited liability company formed pursuant to the Federal Low Income Housing Tax Credit Program, established pursuant to Section 42 of the Internal Revenue Code.) The FRB declined the comment but added that it was "investigating whether an exemption from FR Y-10 reporting for some limited subset of these investments might be practical or warranted."[2]

Current Reporting Requirement

> JPMC is required to report on the FR Y-10 only those Partnerships that it "controls," directly or indirectly. As that term is defined for this purpose in the Instructions, JPMC does not control any Partnership if the Partnership interests it has purchased are all "nonvoting securities."[3]

The term "nonvoting securities" is defined in the Instructions to include any shares or other interests if and only if:

(a) any related voting rights "are limited solely to the type customarily provided by statute with regard to matters that would significantly and adversely affect the rights or preference of the security or other interest,"

(b) the shares or interests "represent an essentially passive investment or financing devise and do not otherwise provide the holder with control over the issuing company," *and*

(c) the shares or interests "do not entitle the holder, by statute, charter, or in any manner, to select or to vote for the selection of directors, trustees, or partners (or persons exercising similar functions)."[4]

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[1] 68 Fed. Reg. 68083 (Dec. 5, 2003).

[2] 69 Fed. Reg. 18383, 18384 (April 7, 2004).

[3] See FRB, Instructions for the Report of Changes in Organizational Structure (FR Y-10) at FR Y-10 Nonbanking – 1 (May 31, 2004).

[4] Id. at FR Y-10/10F Glossary – 3.

In common parlance, JPMC's limited partnership interests and non-managing limited liability company interests would not be construed as giving it control over the investment as that concept is ordinarily understood. A general partner or limited liability company manager, rather than a limited partner or non-managing member, is widely thought to have control over management of the partnership or limited liability company. However, the FRB's definition of the term "nonvoting securities" provides a narrow window through which interests can be regarded as nonvoting, even though these interests would often have voting rights only in distress situations. As a result, these interests are likely to be viewed by the FRB as voting, even though that is not consistent with the common understanding of that concept. The FR Y-10 instructions themselves state that, for purposes of the definition of the term "control," "limited partnership interests are generally considered to be a class of voting securities."[5] Thus, while the limited partner may have extremely narrow voting rights, exercisable only in distress situations, the limited partner's interest is categorized as voting, and controlling, and, therefore, reportable.

Rationale for Requesting Reporting Exemption

JPMC anticipates requesting that the FRB grant an exemption from reporting for public welfare investments on the FR Y-10 and FR Y-6 for the following reasons:

1. The FRB has exempted similar investments of bank holding companies from reporting. The FRB has exempted other routine investments and special purpose entities from FR Y-10 and FR Y-6 reporting, for example, companies held by Small Business Investment Companies, most merchant banking and insurance company investments, interests held as collateral, and special purpose vehicles formed for specific leasing transactions (collectively, the "exempted entities").

Every national bank investment in a public welfare investment must be reported to the OCC on form CD-1 – National Bank Community Development (Part 24) Investments. Further, national banks are required to monitor the total amount of their investments relative to statutory (12 U.S.C. 24(Eleventh)) or regulatory (12 C.F.R. 24.4(a)) limits on these investments. The CD-1 requires different information than the FR Y-10 and FR Y-6 require.[6] Therefore, if reports on the FR Y-10 are required for public welfare investments, there will be a dual reporting system for these investments. This dual reporting burden seems to run counter to the expressed policy of the OCC "to encourage national banks to make (these) investments . . ."[7] as more onerous reporting requirements would be required than for the exempted entities.

JPMC submits that public welfare investments have numerous factors in common with the exempted entities that make the exemption from reporting of public welfare investments equally compelling, and these common factors are described in more detail below.

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[5] Id. at FR Y-10 Nonbanking –1. This likely is because limited partners typically have a voice, if not a vote, in selecting a new general partner, if the general partner must be replaced.

[6] State member banks are required to report their investments under 12 C.F.R. 208.22(c).

[7] See 12 C.F.R. 24.1(b).

2. Public Welfare Investments are Passive Investments. Public welfare investments are essentially passive investments. For example, in the case of Section 42 Partnerships, management of the underlying rental units is the responsibility of the developer or sponsor. The investors' sole interest is preserving the tax credits. In this regard, Section 42 Partnerships are quite similar to special purpose entities organized for leasing transactions (which are exempt from FR Y-10 reporting requirements) in that both are single-purpose entities formed solely to meet federal tax rules that require an interest in property as a prerequisite for claiming certain tax benefits, and neither conducts any ongoing business apart from the property in question. A bank or bank holding company investing in a new markets tax credits partnership has a similarly passive role, as is described in Appendix A.

3. The passive nature of the investment makes it more difficult for the bank holding company that is the investor to possess the information required to complete the FR Y-10 for the entity. Although these entities are reportable only if they are considered controlled under the Instructions, the holding company does not control the management of the affairs of the entity nor have access to all information about the entity or the other investors' interests that may be required for accurate reports on the FR Y-10. In addition, the FR Y-10 requires that changes in previously reported information be updated promptly, and, as a passive investor, a bank holding company would not be privy to changes in information on the prompt basis required for timely and accurate FR Y-10 filings regarding changes. The bank holding company would be dependent on the project developer or sponsor for information on changes in the reportable information, and it is unlikely that the developers or sponsors of these projects would be attuned to the need for prompt reporting of changes in the required information or have the infrastructure in place to communicate such changes to the investors.

4. The capital structures of public welfare investments do not lend themselves readily to a determination of the percentage of a class of voting shares that a bank holding company would own or control. Many public welfare investments are structured as limited partnerships or limited liability companies. For these forms of legal entities, it is more difficult to determine whether the interest held by a bank holding company constitutes "voting shares" as the FRB defines that term. For purposes of compliance with the FRB's Regulation W, it will be enough generally for the holding company to determine that it has contributed more than 25% of the total equity capital of the entity in which the holding company has made an investment. For purposes of determining whether the holding company controls the investment for purposes of FR Y-10 and FR Y-6 reporting, the holding company would either have to analyze with the assistance of legal counsel whether its interest constitutes "voting shares", or else the holding company can avoid that determination and any attendant expense by regarding all ownership interests as equivalent to voting shares. However, one of the key information elements required in both the FR Y-10 and the FR Y-6 is the percentage of a class of voting shares that is owned or controlled by the holding company. When one considers that it is difficult to ascertain whether or not voting shares are owned by the reporting bank holding company and that the holding company may not have complete information about all aspects of the equity structure of the investment since the holding company is a passive investor and not a manager of the investment, it appears that there is a strong risk that the percentage of a class of voting shares reported by the bank holding company may not be accurate, and even if accurate when initially

reported, that the holding company will not be abreast of changes that require a report of changes to the FRB.

A bank holding company's relationship with routine investments and single purpose entities for specific transactions tends to change more frequently over time than the bank holding company's relationship with its subsidiaries. The consequences of these changes is that FR Y-10 reports of changes in facts about the reported investment likely would be required more frequently than for subsidiaries. JPMC submits that the evolving nature of this information supports the exemption of these investments from reporting on the FR Y-10 and FR Y-6.

5. The quantity of potentially reportable entities is driven by the number of transactions in which the holding company engages. A large bank holding company that is actively engaged in promoting the public welfare through these investments may have potentially reportable relationships with a very large number of public welfare investments. As with the exempted entities, the large number of legal entities results from the holding company engaging in a large number of routine business transactions and does not correlate to an expansion of the scope of activities in which the holding company is engaged. As both the exempted entities and public welfare investments are the result of activities that are permissible for bank holding companies and their subsidiaries, there would be a significant reporting burden that would result from requiring FR Y-10s for these, and for all of the changes in FR Y-10 reportable data that would be likely to occur for these entities.

JPMC estimates that as of March 31, 2006, it may control (if it chooses to regard its investments as controlled without analyzing on an investment by investment basis whether the interest constitutes voting shares) approximately XXXXXXX Section 42 partnerships. By way of comparison, the total number of entities currently reported by JPMC on the FR Y-10 is approximately XXXXXXXX. Thus, the number of reports required for Section 42 partnerships alone is more than double the number of reportable entities resulting from all other business activities.

Other Potential Reporting Burden

A top tier bank holding company must file "Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Companies" (FR Y-11 / FR Y-11S) either quarterly or annually for each individual nonbank subsidiary that it owns or controls. A subsidiary, for the purposes of the FR Y-11 Report, is defined by Regulation Y, which generally includes companies 25 percent of more owned or controlled by another company. A top-tier bank holding company that files an FR Y-9C Report must file an FR Y-11 quarterly for each nonbank subsidiary that it owns and controls if the "Total Assets" of the nonbank subsidiary are equal to or greater than $1 billion. A nonbank subsidiary that does not meet the total assets criteria on a quarterly basis must file an FR Y-11 Report on an annual basis (as of year-end) if its total assets are greater than or equal to $250 million. If the nonbank subsidiary has total assets equal to or greater than $50 million (but less than $250 million) as of a year-end, it may be subject to filing an "Abbreviated Financial Statements of U.S. Bank Holding Companies (FR Y-11S) Report.

JPMC does not house financial statement information for unconsolidated subsidiaries within its consolidation system. As a result, JPMC would have to obtain the financial information required to

complete the FR Y-11 or FR Y11S reports from external sources, which would be very difficult in light of the holding company's passive relationship with these investments as described herein.

By way of comparison, as of December 31, 2005, JPMC filed a total of XXXXX FR Y-11 Reports (i.e., XXXXX FR Y-11 Reports and XXXXX FR Y-11S Reports). Due diligence around the preparation, review, and analysis of these reports required the involvement of numerous individuals within JPMC, and extended throughout the entire 60 day filing period for this report. Due to the number of such investments for which it may be determined that JPMC exercises control, the decision to deem such investments FR Y-11 reportable has the potential to increase exponentially the volume of FR Y-11 Reports required, for which JPMC would incur significant additional reporting burden (assuming that the information could even be obtained within the defined time-frame from the appropriate sponsors of the investments). It should also be noted that, if obtained from sources external to JPMC, the accuracy of such financial information could not be ensured by JPMC.

* * *

Thank you for the opportunity to review this matter with you. We would be happy to discuss this matter further with you.

Very truly yours,

/s/ Anthony J. Horan

APPENDIX A: TYPES OF PUBLIC WELFARE INVESTMENTS

A. Low Income Housing Tax Credits

1. Background

The Low Income Housing Tax Credits ***("LIHTC")*** Program, which was established by the Tax Reform Act of 1986 and now operates under Section 42 of the Internal Revenue Code, provides Federal income tax credits to owners of residential rental property used for low-income housing. Generally, a rental project qualifies for the credit only if ***(a)*** at least 20% of the project's units are rented to families with no more than 50% of the family-adjusted area median income, *or* ***(b)*** at least 40% of the units are rented to families with no more than 60% of the family-adjusted area median income ***(the "Minimum Set-Aside Requirement")***; *and* ***(c)*** gross rents paid by families renting these units do not exceed 30% of the applicable qualifying income ***(the "Gross Rent Limitation")***. To qualify for credits, a project must continue to meet these and certain other requirements for at least 15 years and, in some states, for an even longer period ***(the "Compliance Period")***.

Tax credits for qualifying projects may be claimed for ten years, beginning with the year in which the project is first placed in service. The annual amount of the credit is a specified "credit percentage" of the project's "qualified basis" which, in turn, is a specified fraction of the project's "eligible basis."

"Eligible basis" generally includes ***(a)*** the cost of new construction, ***(b)*** the cost of rehabilitation, and ***(c)*** the cost of acquisition of the property. Only the adjusted basis of depreciable property may be included, and the cost of land is excluded. ***"Qualified basis"*** equals eligible basis times the percentage of all units in the project that are low-income units (or the percentage of total project floor-space that is occupied by low-income units).

A project's ***"credit percentage"*** depends on the nature of the project. There are two options: For newly constructed or rehabilitated projects receiving no other Federal subsidies, the credit percentage is calculated, each year, so that the discounted present value of all credits to be received over the full ten-year period equals 70% of the qualified basis. This calculation generally results in a credit percentage of about 9%. If, however, the project receives some other Federal subsidy, the credit percentage usually is calculated so that the discounted present value of all credits equals 30% of the qualified basis. This generally comes out to about 4%.

Suppose, for example, that a project has an eligible basis of $30 million, and qualified low-income families occupy 40% of its units. Suppose, further, that no other Federal subsidy is received for the project. In that case, the project's qualified basis would be $12 million and, assuming a credit percentage of 9%, the amount of each annual tax credit would equal $1,080,000, which would be applied dollar-for-dollar against the project owner's Federal income tax liability for the applicable year.

The LIHTC Program is administered primarily at the state level. Each state receives each year a tax credit allocation, based on its population, equal to some dollar amount (e.g., $1.75) per person.

Sponsors and developers must apply to the appropriate state or local agency for a share of the applicable annual allocation.

2. Syndication

Rather than using these tax credits to offset their own tax liability, project sponsors and developers generally use them to raise capital for their projects, by selling them (generally at a discount) to investors, including banks and bank holding companies. Because, however, only a project's owners may use the tax credits, the sponsor or developer generally organizes either a limited partnership or a limited liability company (together, a "Partnership"), transfers ownership of the project to it and conveys tax credits to investors by selling them interests in the Partnership, while remaining the general partner or manager, and retaining a small equity interest in the Partnership. Developers often depend on management fees and the like for most of the income they derive from a project.

A developer may sell all such interests to a single investor, or may sell them in a private placement or public offering to multiple investors. Some investment bankers sell investors interests in funds, likewise typically organized as limited partnerships or limited liability companies, that hold ownership interests in multiple Partnerships ***("Funds")***. In the case of some Funds, each investor's total return is guaranteed. In that case, an investor's only significant risk typically is the guarantor's solvency.

Typically, an investor's return on such an investment is limited to the investor's *pro rata* share of the tax credits and tax losses the project generates (although investors do share in project income (if any) and in the residual value of the project upon expiration of the Compliance Period). The "equity" that a developer receives from investors in this fashion reduces the amount of permanent financing required for a project, thereby significantly reducing debt service and, in theory, enabling the developer to meet the applicable Minimum Set-Aside Requirement and Gross Rent Limitation without operating the project at a loss.

An investor's primary risk is termination or recapture of the applicable tax credits. This can occur through a developer's material noncompliance with some Program requirement, or through failure of the project.

B. New Markets Tax Credits

1. Background of the New Markets Tax Credits Program

On December 21, 2000, Congress enacted the New Markets Tax Credit ("NMTC"), operating under Section 45D of the Internal Revenue Code. The NMTC is designed to generate $15 billion in new private sector equity investments that will in turn spur business growth in low-income rural and urban communities. Investors that make up to $15 billion in investments in community development entities will be eligible for tax credits.

The NMTC differs from the LIHTC in several ways: (i) the NMTC addresses economic development, such as commercial real estate and business financing, for which market risk is greater and practitioner capacity is less established than for the LIHTC; rental housing is not eligible; (ii) the NMTC is targeted to lower-income communities, generally census tracts with (1) at least 20% poverty level or (2) median income below 80% of either the statewide or relevant metropolitan area median income; (iii) the NMTC works entirely through community development entities ("CDEs") that meet certain primary mission and community accountability tests; a not-for-profit entity can set up a limited partnership, limited liability company or corporate subsidiary to attract investment; (iv) the NMTC is a relatively modest subsidy--it is claimed over seven years, with a present value of 30%; (v) the NMTC is based on the amount of the equity investment, not on the cost of underlying assets (such as buildings); and (vi) the NMTC is allocated by the Treasury Department, not by the states.

Investors in a qualified CDE will receive a tax credit, spread over 7-years that equals 39% of the investment amount. If a taxable investor receives a tax credit for its investment, it should require a lower rate of return for that investment than it otherwise would have required in the absence of a tax credit. An investor values a tax credit as it would tax-exempt income. For example, a bank investor in the 33% tax bracket would view a 5% tax credit as the equivalent of a 7.5% (5 %/(1-33%)) pre-tax yield. Thus, the NMTC will help Community Development Financial Institutions ("CDFIs") raise more capital for their loan and investment programs at a lower cost, since 7.5% in and of itself is substantially higher than most CDFIs currently pay their lenders and investors in interest and dividends.

Only CDEs may access an NMTC allocation. A CDE is an organization that (i) has the primary mission of serving, or providing investment capital for, low-income communities or low-income persons and (ii) maintains accountability to residents of low-income communities through their representation on a governing or advisory board and (iii) receives certification as a CDE from the Department of Treasury. CDFIs that have been certified by the CDFI Fund and specialized small business investment companies are automatically deemed to be CDEs. CDCs, banks and other organizations that meet the above criteria (or start an affiliate corporation that meets the above criteria) can apply to become a CDE as well.

2. How CDEs Access the New Markets Tax Credit Program

CDEs apply to the Treasury Department for an allocation of the NMTC. The credits will be awarded competitively based on a CDE's track record, capitalization strategy, management capacity

and community impact. The CDFI Fund administers the NMTC program for the Treasury Department.

Once a CDE has secured an NMTC allocation, it will seek private equity investors. Equity investors in the CDE will qualify for a tax credit equal to 5% of their investment amount each year for the first three years of the investment and 6% of their investment amount for each of the next four years.

The CDE must use substantially all, or 85%, of the capital generated from the sale of NMTC equity to fund loans to, or equity investments in, for-profit or not-for-profit businesses that are operating in low-income census tracts (which the CDFI Fund approximated were 33% to 40% of all census tracts). Eligible businesses include commercial businesses, not-for-profit childcare providers, charter schools, healthcare centers, housing developers (for homeownership) and commercial real estate projects, but exclude rental of residential properties. CDEs can also use the proceeds to provide financial counseling to eligible businesses, to invest in or lend to other CDEs (which in turn use the proceeds for qualified loans and investments in businesses) or to purchase qualified loans or equity investments from other CDEs.

There are many different ways in which CDFIs will be able to take advantage of the NMTC. The most common ways will be:

- For-profit CDFIs, such as banks and venture capital funds that qualify as CDEs, will be able to offer tax credits to their equity investors that invest directly in the CDFI;
- Not-for-profit and for-profit CDFIs may form a for-profit affiliate (that qualifies as a CDE), raise equity investments for the affiliate and then use the capital to originate qualifying loans and investments. Alternatively, the for-profit CDE could purchase eligible loans and investments from its parent CDFI;
- CDFIs that engage in commercial real estate development may apply for allocations of the NMTC that will enable them to enhance returns for equity investors in those projects; and
- CDEs that purchase qualifying loans from other CDEs will also be able to tap the NMTC. This means that CDFIs could ultimately benefit from a larger and more active secondary market for many of the loans they generate, even if they elect not to take advantage of the NMTC directly.

Intermediaries can form for-profit affiliates, which will apply for an allocation of NMTC in order to invest in CDFIs that qualify as CDEs, which in turn will invest in qualified businesses. Individual CDFIs that elect not to participate in the NMTC program directly will still be able to benefit by borrowing from or receiving equity investments from an intermediary.

3. How JPMC Invests in New Market Tax Credits

JPMC, through JPMorgan Chase Bank, N.A. or an affiliate (collectively, “JPMC”) makes investments, directly or indirectly, in CDEs in return for the federal tax credit under the NMTC program. The actual investment framework varies from deal to deal; the legal structure, however, is

typically that of a limited partnership ("LP") or limited liability company ("LLC"). Typically, the CDE or an affiliate will be the general partner or manager of the LP or LLC in which JPMC will invest as a limited partner or non-managing member. JPMC's investment ownership is based on the percentage of its investment, relative to investments of all partners. In all cases, JPMC has limited authority and responsibility to make decisions on behalf of the LP or LLC. As a limited partner or member, JPMC is always a passive investor with no management control, other than the ability under certain defined circumstances to replace the LP's general partner or LLC's manager (subject to the concurrence of the other limited partners or members).

JPMC's only financial return from its investment in a NMTC entity is typically the tax credit alone–there are no tax losses from real estate depreciation or cash distributions from profits or return of capital. JPMC is dependant upon the LP or LLC's management to meet and maintain all compliance requirements of the NMTC program so there will be no event that would cause a recapture of tax credits that JPMC has received, or is entitled to receive in the future.

C. Other Types of Public Welfare Investments

In addition to the LIHTC and NMTC investments, a bank may also make other types of equity investments that meet the public welfare standard. These include, for example, indirect investments in funds and multibank community development corporations that promote public welfare activities, historic tax credit investments as well as direct investments in entities that promote the public welfare.